

**Imperative legal norms protecting public order, which are mandatory for branches of insurance companies of other Member States of the European Union set up in the Republic of Lithuania, and for insurance companies of other Member States of the European Union which are providing services in the Republic of Lithuania**

*Important legal information: the information provided here is only of general nature and is intended to inform market players and consumers about the general requirements defined for insurance and reinsurance practices in Lithuania. Detailed and general mandatory requirements are set out in legislative acts, which are officially published in the official language.*

Imperative legal norms, which are mandatory for branches of insurance companies of other Member States of the European Union set up in the Republic of Lithuania, and for insurance companies of other Member States of the European Union which are providing services in the Republic of Lithuania are stipulated in the Law Concerning Approval, Coming to Force and Implementation of the Civil Code of the Republic of Lithuania No. VIII-1864 of 18 July 2000 (Žin., 2000, No.: 74 – 2262), the Law on Insurance No. IX – 1737 of 18 September 2003 (Žin., 2003, No.: 94 – 4246), the Law on Compulsory Motor Third Party Civil Liability Insurance of 17 May 2007, No. X-1137 (Žin., 2007, No. 61–2340) and other legislation. This overview provides only key legal acts and their provisions. The current editions of the legislation and their translations are published on the web site [www.lrs.lt](http://www.lrs.lt)

## **I. Civil Code**

The Civil Code regulates general issues concerning conclusion of agreements, their legal force, form, content, execution, termination and other relevant issues, and regulates insurance relations. (Articles 6.155 – 6.161, 6.185 – 6.188, 6.189 – 6.191, 6.193 – 6.197, 6.200 – 6.228, 6.987, 6.989 – 6.1018).

## **II. Law on Insurance**

The Law on Insurance stipulates compulsory conditions for insurance agreements, particularities concerning insurance benefit payments, automatic extension of the validity of an insurance agreement, non-payment of insurance premiums and particularities of individual insurance agreements and other issues (Articles 75 – 116).

Prior to undertaking compulsory insurance activities, an insurer must comply with the requirement by the Supervisory Commission concerning submission of the compulsory insurance regulations to the Supervisory Commission, except in cases where the conditions of a compulsory insurance agreement are determined by legal acts. The Supervisory Commission verifies whether the submitted compulsory insurance regulations comply with the requirements of the legal acts, do not violate the interests of policyholders, insured persons, beneficiaries and injured third parties, including consumers.

Chapter II<sup>(1)</sup> governs the peculiarities of reinsurance.

The procedure of the transfer of an insurer's portfolio to another insurer is governed in Article 42.

Article 82 of the Law on Insurance regulates issues concerning payment of insurance benefits.

The insurance benefit must be paid within 30 days from the day of receipt of all the information important for establishing the fact, circumstances and consequences of the insured event as well as the amount of the insurance benefit. If the insurance agreement provides for a

periodic payment of insurance benefits, the aforementioned provision applies to the first periodic insurance benefit. If the event is an insured event and if the policyholder and the insurer disagree on the amount of the insurance benefit, at the request of the policyholder, the insurer must pay the amount on which the parties agree where establishment of an exact amount of the benefit lasts for more than three months. The insurer must prove the circumstances which release it from payment of the insurance benefit or give it the right to reduce the benefit. When the insurer refuses to pay the insurance benefit or reduces it, it must provide the policyholder, beneficiary or injured third party a detailed and motivated explanation of the reasons for such a decision. Where the insurance benefit is not paid within 30 days from the report about the insured event, the insurer must provide the policyholder/beneficiary a detailed account in writing about the progress of the investigation of the insured event.

The insurers must follow the dispute settlement rules established by the Supervisory Commission. (Article 207 of the Law on Insurance). The Supervisory Commission settles disputes between the consumer and the insurer which arise from an insurance agreement or are related to it, if the legal acts of the Republic of Lithuania are applicable to the insurance agreement.

Having regard for Article 171 of the Law on Insurance, the Supervisory Commission provides recommendations to an insurance company of any other European Union Member State which provides services or has established a branch in the Republic of Lithuania regarding administration of the list of dependent insurance intermediaries, control of professional liability insurance and professional training of the employees of companies of insurance agents whose duties cover insurance mediation activities.

### **III. Law on Compulsory Motor Third Party Liability Insurance**

This law regulates issues concerning conclusion, termination, expiry, entering into force and validity of compulsory motor third party liability insurance agreements, insurable amounts, payment of benefits, a membership in the Motor Insurers' Bureau of the Republic of Lithuania and other issues. Other important legal acts regulating the compulsory motor third party liability insurance are the following:

1. Resolution No. 795 "Concerning Approval of Regulations for Assessment of Damage Inflicted due to a Road Accident and Payment of Compensation" adopted by the Government of the Republic of Lithuania on 23 June 2004 (Žin., 2004, No.: 100 – 3718).

2. Resolution No. 992 "Concerning Deductions from Compulsory Motor Third Party Liability Insurance Premiums" adopted by the Government of the Republic of Lithuania on 13 August 2001 (Žin., 2004, No. 100-3699).

3. Resolution No. N-66 "Concerning the Amendment of Resolution No. N-47 "Concerning the Approval of the Standard Conditions for Compulsory Motor Third Party Liability Insurance Agreements" of the Insurance Supervisory Commission of the Republic of Lithuania of 23 April 2004" adopted by the Insurance Supervisory Commission of the Republic of Lithuania on 17 July 2007 (Žin., 2007, No.: 82 – 3396).

#### **IV. Law on Consumer Protection**

Law on Consumer Protection No. X-1014 of 12 January 2007 (Žin., 2007, No. 12-488) stipulates that a service supplier must provide to consumers information established in the Civil Code and other legal acts in the state language. All external and internal plates designated for consumers at sales and service outlets, including names of sales and service outlets, must be in the state language.

Service suppliers must follow fair business practices while offering to buy or rendering services to consumers. Services should be offered in such a manner that commercial nature of the offer would be clear to the consumer.

#### **V. Law on the State Language No. I-779 of 31 January 1995**

Article 9 of this law establishes that transactions with natural and legal persons from foreign states are conducted in the state language and another language acceptable to both parties.

**VI. Law on Companies (Žin., 2000 No. 64-1914) and Regulation of the Register of Legal Persons approved by Resolution No. 1407 “Concerning Establishment of the Register of Legal Persons and Approval of the Regulations for the Register of Legal Persons” adopted by the Government of the Republic of Lithuania on 12 November 2003 (Žin., 2003, No.: 107 – 4810)**

The Law on Companies governs the general issues of setting up and managing companies and branches.

The regulations regulate the purpose and the objects of the Register of Legal Persons, the register management bodies and their rights and duties, registration of the register objects as well as management, reorganisation and liquidation of the register. These regulations also envisage which documents should be submitted for incorporation of a branch or a representative office and which data of branches or representative offices and their incorporators are registered and managed.

#### **VII. Conditions of Compulsory Insurance**

The main legal acts stipulating the conditions of compulsory insurance are the following:

1. Resolution No. N-91 “Concerning Approval of Regulations for Compulsory Civil Liability Insurance of Audit Companies” adopted by the Insurance Supervisory Commission of the Republic of Lithuania on 22 June 2004 (Žin., 2004, No.100-3741);

2. Resolution No. 580 “Concerning Approval of Regulations for Compulsory Professional Civil Liability Insurance of Notaries” adopted by the Government of the Republic of Lithuania on 8 May 2003 (Žin., 2003, No.: 47 – 2079);

3. Resolution No. 957 “Concerning Approval of Regulations for Compulsory Professional Civil Liability Insurance of Bailiffs” adopted by the Government of the Republic of Lithuania on 12 August 2003 (Žin., 2004, No.: 128 – 4605);

4. Resolution No. 79 “Concerning Approval of Regulations for Compulsory Civil Liability Insurance of Contractors” approved by the Board of the State Insurance Supervisory Authority under the Ministry of Finance on 30 April 2002 (Žin., 2002, No.46-1779);

5. Resolution No. 78 “Concerning Approval of Regulations for Compulsory Civil Liability Insurance of Construction Planners” approved by the Board of the State Insurance Supervisory Authority under the Ministry of Finance on 30 April 2002 (Žin., 2002 No.46-1778);

6. Order No. 745 “Concerning Approval of Regulations for Compulsory Civil Liability Insurance of Main Researchers and Contractors of Biomedical Research” adopted by the Ministry of Health of the Republic of Lithuania on 20 December 2000 (Žin., 2000, No.110-3550);

7. Resolution No. 1067 “Concerning Approval of Regulations for Compulsory Professional Civil Liability Insurance of Lawyers” adopted by the Government of the Republic of Lithuania on 26 August 2004 (Žin., 2004, No. 133–4796);

8. Order No. V-6 “Concerning the Approval of the Procedure for Compulsory Civil Liability Insurance of Health Care Institutions against Damage Made to Patients” adopted by the Minister of Health of the Republic of Lithuania on 6 January 2005 (Žin., 2005, No. 3-50);

9. Resolution No. N-113 “Concerning the Approval of the Regulations for Compulsory Civil Liability Insurance of Insurance Intermediaries” adopted by the Insurance Supervisory Commission of the Republic of Lithuania on 28 September 2004 (Žin., 2004, No. 146-5323);

10. Order No. 2 “Concerning Application of Financial Guarantee Regulations for Travel Organisation Services” adopted by the State Tourism Department under the Ministry of Administrative Reforms and Local Governance of 12 January 2000 (Žin., 2000, No.: 6 – 175).

11. Order No. 4-637 “Concerning the Approval of the Regulations for Professional Compulsory Civil Liability Insurance of the Administrator” adopted by the Minister of Economy of the Republic of Lithuania of 9 December 2008. Žin., 2008, No. 145-5839.

12. Order No. 1P-50 “Concerning the Approval of the Regulations for the Licensed Person’s Compulsory Insurance of Civil Liability for the Damage Caused to Other Persons of the Licensed Person when Identifying Data of the Cadastre of Immovable Articles” adopted by Director of the National Land Service under the Ministry of Agriculture of 16 May 2008, Žin., 2008 No. 59-2262.

13. Order No. V-79 “Concerning the Approval of the Description of the Procedure for Compulsory Civil Liability Insurance of Consular Officials Performing Notarial Actions” adopted by Minister of Foreign Affairs of the Republic of Lithuania of 18 July 2007, Žin., 2007, No. 82-3389.

14. Resolution No. 41 Concerning the Compulsory Civil Liability Insurance of Administrator of Restructurisation adopted by the Government of the Republic of Lithuania on 17 January 2011 (Žin., 2011, Nr. 8-325).

## **VIII. Taxes**

Bases for taxation, administration of taxes and the competence of institutions are governed by the Law on Tax Administration (Žin., 2004, No. 63-2243). The state authority responsible for tax administration is the State Tax Inspectorate under the Ministry of Finance. This authority is also responsible for providing advice to taxpayers on tax issues. Free consultations are available orally, in writing, by email and on the telephone line 1882. More information – [www.vmi.lt](http://www.vmi.lt)

The taxation procedure, rates, declaration and payment of the income tax paid by residents are governed in detail in the Law on Personal Income Tax (Žin., 2002, No. 73-3085). Article 17 should have special relevance for insurance market players and policyholders as it defines the terms whereunder the insurance benefit is exempted.

Other taxes payable by individuals or companies are provided in other legal acts.

## **IX. Legal Acts Regulating Labour Relations**

The main legal act regulating labour relations is the Labour Code adopted by the Law No. IX-926 on 4 June 2002 (Žin., 2002, No. 64-2569). The Code includes provisions related to subjects of the labour law, collective labour relations (collective agreements, regulation of collective labour disputes), individual labour relations (labour agreement, labour remuneration, guarantees and compensations, and labour disputes) and others.

The new edition of the Law on Social Insurance of Occupational Accidents and Occupational Diseases of the Republic of Lithuania No. IX-1819 adopted on 11 November 2003, (Žin., 2003, No.: 114 – 5114) regulates the relations of social insurance of occupational accident and occupational disease occurrences while working, en route to and from work, stipulates the categories of persons who shall be insured with this type of social insurance, rights to such insurance benefits, conditions, calculation and payment of benefits, and defines insurable and non-insurable occurrences.

The Law on State Social Insurance of the Republic of Lithuania No. I-1336 adopted on 31 May 1991 (Žin., 1991, No. 17–447) stipulates that state social insurance is obligatory for persons working under employment contracts. The Law establishes the obligation of the payer of the social insurance contributions to calculate correctly and timely and to pay social insurance contributions according to the rates and terms provided in the legal acts.

## **X. Requirements for the Use of Advertising and for Fair Commercial Practices**

The requirements on use of advertising, the obligations of the subjects of advertising activities, and the legal grounds for control of use of advertising in the Republic of Lithuania are stipulated in the Law on Advertising of the Republic of Lithuania No. VIII-1871 adopted on 18 July 2000 (Žin., 2000, No.: 64 – 1937).

Advertising must not be misleading. Advertising must be decent and correct and clearly recognisable from the way it is presented, hidden advertising is prohibited. Comparative advertising is permitted only under stringent provisions.

Commercial practice is governed by Republic of Lithuania Law on Prohibition of Unfair Business-to-Consumer Commercial Practices (Žin., 2008, No. 6-212). Commercial practice must not be misleading to consumers. Misleading actions and false non-disclosure of information are prohibited. Aggressive commercial practices are also prohibited.

Commercial practice is presumed to be aggressive where it manifests itself as the requirement that the consumer intending to file a claim under the insurance contract provides documentation which cannot be reasonably considered relevant in establishing the validity of the consumer's claim, or constant avoidance to respond to the consumer's attempts of written or oral contact or otherwise in order to dissuade the consumer from exercising their contractual rights (Article 8, Par. 3, Point 4 of the Republic of Lithuania Law on Prohibition of Unfair Business-to-Consumer Commercial Practices).

## **XI. Personal Data Protection**

Law on Legal Protection of Personal Data of the Republic of Lithuania No. IX-1296 of 21 January 2003 (Žin., 2003, No. 15-597) establishes the rights of natural persons as data subjects, the procedure for protection of these rights, the rights of legal and natural persons and duties and responsibilities in management of personal data.

## **XII. Prevention of Money Laundering and Terrorist Financing**

Law on the Prevention of Money Laundering and Terrorist Financing No. No VIII-275 of 1997 June 19 (A new version of 17 January 2008 No X-1419) defines responsible institutions and the measures of the prevention of money laundering and terrorism financing (Žin., 1997, 64-1502).

## **XIII. Issues of Applicable Law**

From 17 December 2009, Regulation 593/2008 (Roma I) takes effect, whose provisions will be applicable to contracts concluded after 17 December 2009. Article 7 of the Regulation governs the law applicable to insurance contracts. Application of law to contracts concluded after the said date will be restricted to the law whose application is permitted by the said Regulation. Provisions of the Republic of Lithuania Law on Insurance and of the Civil Code will be applied to the extent that the Regulation does not provide otherwise.

## **XIV. Other legal acts**

1. Resolution No. N-74 “On the approval of the description of the procedure for the provision of information to policyholders on life assurance related to investment funds (where the policyholder bears the investment risk)” adopted by the Insurance Supervisory Commission of the Republic of Lithuania on 11 July 2006;

2. Resolution No. N- 25 “On the approval of the procedure for submission of information by branches of insurance undertakings of other EU member states established in the Republic of Lithuania to the Insurance Supervisory Commission of the Republic of Lithuania” adopted by the Insurance Supervisory Commission of the Republic of Lithuania on 14 February 2006;

3. Resolution No. N-68 “On the approval of the procedure for the insurance undertakings and insurance brokers undertakings pursuing to prevent money laundering” adopted by the Insurance Supervisory Commission of the Republic of Lithuania on 15 March 2005 (Žin., 2005, No. 37-1221);

4. Resolution No. N-31 “On the approval of the procedure for management of the list of dependent insurance intermediaries” adopted by the Insurance Supervisory Commission of the Republic of Lithuania on 16 March 2004 (Žin., 2004, No. 42-1407);

5. Resolution No. N-23 ”On the approval of statistical report on the insurance business in the Republic of Lithuania” adopted by the Insurance Supervisory Commission of the Republic of Lithuania on 4 March 2008.

6. Resolution “On Approval of Mandatory Guidelines for Determination of The Needs of Persons, Intending to Enter into the Life Insurance Contract, Assessment of Relevancy of the Product Offered, and Information on the Terms of Life Insurance Contract (Žin., 2010, Nr. 65-3279).

7. Resolution No. N-108 “On statistical data of compulsory insurance and rules concerning the fulfilling statistical documents of compulsory insurance“ adopted by the Insurance Supervisory Commission of the Republic of Lithuania on 12 December 2006.

8. Resolution No. N-25 „On the fulfilling of quarterly report concerning the payments for the Insurance Supervisory Commission adopted by the Insurance Supervisory Commission on 9 March 2004.

9. Resolution No. N-260 „On the approval of the binding content of information which should be published on the internet site of the insurance company or the branch of insurance company of another European Union Member state“ of 12 July 2011 (Žin., 2011, Nr. 89-4305 ).

10. Resolution No. N-292 „On the approval of the rules of filling out of the statistical reports of life insurance activity and non-life insurance activity and the templates of the reports of life insurance activity and non-life insurance activity“ (Žin.,2010, Nr. 96-5024) adopted by the Insurance Supervisory Commission of the Republic of Lithuania of 3 August 2010.

11. Resolution No. N-59 „On the activity of pension annuities and on information in the rules of pension annuities“ (Žin., 2007, Nr. 78-3185) adopted by the Insurance Supervisory Commission of the Republic of Lithuania of 10 July 2007.